



STATEMENT OF

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TO THE

COMMITTEE ON POST OFFICE AND CIVIL SERVICE

HONORABLE WILLIAM D. FORD
CHAIRMAN

PROPOSED CIVIL SERVICE SUPPLEMENTAL
RETIREMENT SYSTEM

U.S. HOUSE OF REPRESENTATIVES

OCTOBER 23, 1985

Mr. Chairman, and Members of the Committee,

I am Robert M. Tobias, President of the National Treasury Employees Union. The National Treasury Employees Union is the exclusive representative of over 120,000 Federal employees in a variety of department and agencies.

We appreciate this opportunity to testify on the proposed supplemental retirement plan for Federal employees covered by Social Security described in your letter of October 9, 1985 and the enclosures accompanying it.

We are well aware of the difficulties and complexities involved in developing and designing a supplemental retirement plan for Federal employees. We again want to commend the Chairman of the Committee, the Chair of the Subcommittee on Compensation and Employee Benefits, Congresswoman Mary Rose Oakar, the members of the Committee, as well as the many others who have assisted you for the intelligent, professional and prudent manner in which you have approached this monumental task.

In the short time remaining in this session of the Congress to consider and enact a supplemental retirement plan, we urge that the debate necessary to shape this retirement plan will continue to focus on the substance of this complex subject and not deteriorate into a game of political deficit reduction. We will continue to work with the committee to ensure the enactment of a fair, equitable and rational plan by January, 1986.

The overall plan and proposed plan specifications under consideration here today comes closer to providing the kind of supplemental retirement benefits we believe are needed than any other proposed plan we have seen to date.

We believe it is extremely important that the supplemental plan in conjunction with social security provide a level of benefits as close as possible to those under the existing Civil Service Retirement System. To do otherwise would create an intolerable situation of employees working side by side doing similar work yet receiving vastly different benefits. We recognize that the benefits cannot be equal in each individual instance due to the benefits provided under social security but the differences should be minimized to the greatest extent possible.

In addition, Federal employees have not forgotten the statement in the letter from the Speaker of the House of Representatives, the Chairman of the Ways and Means Committee and the Chairman of the Post Office and Civil Service Committee to the Members of the House of Representatives, "that new Federal employees who become covered under social security should be provided retirement benefits comparable to those under the Civil Service Retirement System." Considering the manner in which Federal employees have been treated over the past four years in terms of benefit reductions, pay and other areas of personnel management, failure to adhere to this principle would have a devastating effect on the already low morale of the Federal workplace. We are pleased that the proposed plan was developed in keeping with this principle and objective.

-3-

We strongly endorse and support the proposed plan design specifications that would--

- o Base annuity benefits on the average high 3 year salary.
- o Provides unreduced benefits at age 55 with 30 years of service; age 60 with 20 years; and age 62 with 5 years.
- o Supplement benefits paid prior to age 62 by an amount equal to social security benefit.
- o Provide an annual cost of living adjustment equal to the increase in the Consumer Price Index.

.. We also support those provisions regarding survivor and disability benefits as well as those concerning vesting, involuntary early retirement, deferred retirement and refunds.

We do have a problem with the proposed plan specification concerning the retirement benefit formula, 1.0% of salary base multiplied by years of service. We believe that the benefit formula should be designed in a way that gives lesser weight to relatively shorter periods of service--the early years--and greater weight to longer period of service--the later years. This would improve the ability of government to retain employees and reward long term career service.

The proposed capital accumulation plan compares favorably with those provided by many large private employers. In our view the benefits provided by social security and the supplemental retirement plan should be established at a level to enable the employee to maintain a reasonable standard of living in retirement. The benefits from a capital accumulation plan should be an option available to the employee to increase

-4-

their retirement standard of living or for other purposes and not be necessary to maintain retirement income security. The vast majority of Federal employees today are finding it difficult to "make ends meet financially" and would be unable to set aside funds in a capital accumulation plan for retirement purposes. I should also note on this point that present income tax advantages and further retirement income security cannot be presumed by those who participate in this type of plan if the Administration continues to push for and is successful in changing the tax status of those deferred income plans.

As you know, S.1527, the Stevens-Roth supplemental plan permits employees currently covered by the Civil Service Retirement System to transfer into the new supplemental plan until December 31, 1987. We recognize the difficulty concerning the possible transfer of current employees to the new system, but we strongly urge the committee to carefully study this issue before forestalling the options of employees currently covered under CSRS.

The estimated cost to the Government of the proposed plan is almost the same as that of the current Civil Service Retirement System. Considering the extent to which combined pay and benefits lag behind those in the private sector, this cost is fully justified.

-5-

While we support the proposals for early retirement of hazardous duty employees, we believe that the criteria established for coverage under these special provisions should provide for similar treatment of employees engaged in similar work. Under the existing Civil Service Retirement law certain employers are excluded from coverage because their positions are not considered as primarily the investigation, apprehension, or detention of individuals suspected or convicted of offenses against criminal laws of the United States. I am specifically referring to Customs inspectors and Internal Revenue Service revenue officers.

These positions require the same degree of law enforcement background and exposures to hazards as other police type positions which qualify for coverage..

Customs inspectors are making an increasing number of arrests and are not allowed to perform inspector duties until qualified in firearms. Kidnapping, murder, and assaults are an ever present danger.

Custom inspectors work on special enforcement teams doing undercover investigating work with special agents, Drug Enforcement Agency personnel and local law enforcement groups to stop the flow of drugs into this country.

IRS revenue officers are exposed to life threatening situations in the course of their normal duties. Assaults against IRS employees increased from 531 in 1983 to 789 in 1984.

-6-

Excluding these positions from coverage is not only unfair to this group of employees but prevents the Government as employer from maintaining a young and vigorous work force in this vital area of law enforcement.

In closing, I wish to commend the Chair of the full Committee and the Chair of the Compensation Subcommittee for their diligence in dealing with this extremely difficult and complex issue. In light of the current political and fiscal pressures confronting such an issue, you have produced a plan which we strongly endorse. We know that the few changes which we have suggested will receive your serious consideration.

I am prepared to answer any questions you may have.